GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Energy Department – Scheme for providing nine hours day time free power supply to the Agricultural Sector on a sustainable basis by establishing 10000 MWp of Solar Power Projects – Certain modifications / amendments to the Scheme – Orders - Issued.

ENERGY (POWER.I) DEPARTMENT

G.O.MS.No. 25 Dated: 07-11-2020.

Read the following:

1. G.O.Ms.No.18, Energy (Power. I) Department, dated 15-06-2020.
2. G.O.Ms.No.19 Energy (Power. I) Department, dated 17-07-2020.
3. From the Chairman & Managing Director (CMD), APGECL, Vijayawada, letter No.CMD/APGECL/10,000 MWp Solar/F.ic/D.No. /2020, dated:18-09-2020

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ORDER:

1. In the G.O. first read above, orders were issued for establishment of 10,000 MWp of solar power capacity in the State to provide 9-hours daytime free power supply to the agriculture sector on a sustainable basis. It has been ordered that the Andhra Pradesh Green Energy Corporation Limited (APGECL) shall procure solar power through a transparent bidding process under the Build, Operate, Transfer (BOT) mode from developers for a period of thirty (30) years; and that the developers shall be paid a flat bid tariff for the first 15 years and pre-fixed O&M charges from 16th year of commissioning. After issuance of the above orders, certain changes that had taken place were brought to the notice of Government, and after considering the same, Government has issued orders in the G.O. 2nd read above, making certain modifications to the Scheme.

2. In the reference 3rd read above, the CMD, APGECL has reported that the matter was further reviewed in a meeting held on 27-08-2020 with all the concerned officers and discussions were held with stakeholders. It was felt that certain changes were needed to be made in the scheme in order to realise more competitive tariff in the bidding, and certain steps were required to ensure smooth completion of projects as per the time schedules and to achieve the objectives of the scheme in a time bound and cost efficient manner.

3. Based on the deliberations of the review meeting, the following proposals, with due justification, have been submitted to the Government

for their consideration in the reference 3rd above:-

i) Tenure of the PPA:

It is proposed to change the tenure of the Power Purchase Agreement (PPA) period to 30 years instead of 25 years since this increase in PPA tenure is expected to help realise lower tariff in the bidding process. During the tenure of the PPA, the solar project developer will Build, Own and Operate the Solar Project and the ownership of the Government Land shall continue to vest with the Government. The ownership of Assigned and Private Land shall continue to vest with the respective individuals.

Justification:

MNRE TBCB guidelines (Clause 5.1) state that the PPA period should not be less than 25 years. Hence the proposed change is in line with MNRE guidelines and the proposed increase in PPA tenure would reduce levelised tariff and hence reduce cash outflows to the State Government for the entire PPA period.

ii) Sale of Asset:

It is proposed that at the end of the PPA period, the Solar Project Developer shall mandatorily sell the solar project including pooling substation and all other assets to APGECL/Nominee of Government of AP., on as-is-where-is basis, for a consideration of INR Five (5) per MW.

Justification:

The civil and electrical infrastructure (such as pooling sub-station, mounting structures, etc.) developed as part of the project will have useful life beyond 30 years. Sale of asset, if solar modules work beyond 30 years (with replacement of solar modules by APGECL as required), would benefit the State by generating cheaper power with nominal O&M cost and by using the same civil and electrical infrastructure.

iii) State Government Guarantee:

State Government Guarantee in addition to already approved Letter of Credit equivalent of four months' payment is proposed to be provided to the successful bidders. A separate Guarantee Agreement shall be signed between the Government of Andhra Pradesh, APGECL and the Solar Power Developer, in a legally enforceable form, ensuring that there is adequate security to the Solar Power Generator, both for payment of energy charges and termination compensation, if any.

Justification

In addition to Letter of Credit, MNRE TBCB guidelines (Clause 5.3.1 (c)) also state that the end procurer may choose to provide State Government Guarantee in legally enforceable form, ensuring that there is adequate security to the solar power generator. State Government Guarantee will improve the payment security for the developer both in terms of energy charges and termination compensation. This would help the developer to achieve financial closure and timely completion of the project. Providing the state government guarantee would improve the risk profile of the project and lead to developers quoting more competitive tariffs.

iv) Revision of lease rental for Private and Assigned lands:

At present land lease rental of INR 31,000 per acre per annum is to be collected from Solar Power Developers (SPDs) for assigned lands and private patta lands. Of this, INR 25000 is to be paid to the landowner and INR 6000 is to be remitted to Government of AP. It is now proposed to reduce the land lease for the same lands to INR 25,000 per acre per annum (to be paid to landowners) in line with Renewable Energy Export Policy. In the previous case as well as in the present proposal, the escalation formula in lease rental to be collected remains the same at 5% for every two years.

Justification

Landowners will continue to get INR 25,000 per acre per annum and escalation of lease at 5% for every two years. The margin of INR 6,000 per acre per annum that was previously to be remitted to Government of AP would, in any case, be recovered by the Developer through tariffs, which would again have to be fully paid by Government of AP. The State Government would benefit through reduction in tariff due to reduced lease rental and would be revenue neutral in either case.

v) Change in land lease rental:

Any increase/decrease in total land lease for the project due to change in composition of land ownership after the bid process and prior to handing over of land to the SPD would be passed through to the Developer through tariff adjustment. The net present value (NPV) for the land lease would be computed at a discount rate of 10% over the lease period. For every increase/ decrease of INR 1 Lakh/MW in the NPV of land lease payments, the PPA Tariff shall be increased/ decreased accordingly by INR 0.0055/kWh.

Justification:

At the time of calling bids, total lease rental for each solar park/ location is estimated based on the ownership of the land, as is assessed now. Provision for change in total project land lease has been included to address any change in land ownership composition for each Solar Park after the bid process and before handing over of land to the developer. This shall ensure that appropriate lease rental is paid to the pattadars while compensating the developers for any change in total land lease after the bid process.

vi) Green shoe option:

The SPD shall have an option to develop up to 50% additional capacity over the capacity quoted by them under Green shoe option, subject to mutual agreement between the Developer and APGECL.

Justification:

Additional capacity shall be provided in case of availability of additional power evacuation capacity and land, and at the discretion of APGECL. This is likely to help APGECL to set up additional solar capacity at lower tariff.

vii) Generation compensation for backdown:

Developers shall be eligible for generation compensation if backdown on account of events like consideration of grid security or safety of any equipment or personnel or other such conditions is more than 2% (only period from 8 am to 6 pm to be counted) during each quarter.

Justification:

Backing down generation will increase the risk of project cash flows. Developers will factor backdown of energy and accordingly quote higher tariffs. By this provision, APGECL intends to remove any uncertainty in backing down of generation due to grid security /safety by placing a maximum ceiling of 2% on energy backed down. This will also provide minimum off take guarantee to successful Bidders and encourage bidders to quote lower tariffs, leading to reduced cash outflows for the state.

viii) Change in Law: Pass through of SGD/BCD:

The Solar power Developer is being asked to quote tariff duly excluding Basic Customs Duty and Safeguard Duty (SGD/BCD) on both domestic and imported solar cells, modules and panels. Actual Basic Customs Duty and Safeguard Duty incurred by the Developers shall be passed through tariff adjustment at INR 0.0055/kWh for every INR 1 Lakh/MW of such duties. In case

SGD/BCD is paid after Scheduled Commercial Operation Date (SCOD), the actuals or SGD/BCD as on SCOD, whichever is lower, will be considered for tariff adjustment.

Justification:

The Government of India has notified the Safeguard Duty applicable to solar cells/modules to be 14.90% from 30 July 2020 to 29 January 2021 and 14.50% from 30 January 2021 to 29 July 2021 only. Further, the Government of India has also proposed to impose Basic Customs Duty on solar cells, modules and panels in an effort to curb imports and boost domestic manufacturing in line with the Government of India's move towards 'Aatma Nirbhar Bharat'. There is lack of visibility on Safeguard Duty beyond July 2021 and Basic Customs Duty on both domestic and imported solar cells, modules and panels. Hence, Developers are being asked to quote tariff excluding any SGD/BCD. Actual SGD/BCD incurred will be passed on to Developers by a tariff adjustment at the rate of INR 0.0055/kWh for every INR 1 Lakh/MW of SGD/BCD incurred by the SPDs on actual basis. In case SGD/BCD is paid after SCOD, the actuals SGD/BCD paid or SGD/BCD as on SCOD, whichever is lower, will be paid. Since Tariff adjustment will be pass through for Taxes/Duties at actuals, it would lead to discovery of more competitive tariffs from Developers. A similar practice has been adopted by SECI in its recent solar park tenders. In June 2020, SECI discovered the lowest tariff of INR 2.36/kWh for a 2GW ISTS solar project. The tariff excludes any change in Basic Customs Duty/Safeguard duty, which is subsequently passed through under the change in law provision.

ix) Change in One-Time Project Co-ordination/ facilitation fee/ Land purchase cost:

If any unforeseen expenditure (excluding any cost for the development and maintenance of common infrastructure within the park) towards solar park arises, the same would be recovered from the Solar Power Developers and accordingly the tariff would be increased by INR 0.0055/kWh for every INR 1 Lakh/MW of additional One-Time Project Co-ordination/land purchase cost/facilitation fee collected from the Developer.

Justification:

In the absence of mutual agreement between multiple Developers within a solar park for development and maintenance of common infrastructure, APGECL shall undertake the same and such costs shall be shared among all the Developers in proportion to their Project Capacity without any change in quoted tariff. However, in case of any additional cost incurred by APGECL towards purchase of land, the same will be collected from the developer. This provision will provide tariff adjustment to the developer.

x) Common Infrastructure development by Developer and Pass through of CFA/VGF/Grant/ Subsidy to the Solar Power Developer:

The common infrastructure for the solar park shall be developed by the SPD and recovered through the quoted tariff. Any Viability Gap Funding (VGF)/ Capital Grant/ Central Financial Assistance (CFA) for development of solar parks and/or solar projects received by APGECL from MNRE or any other Central agency shall be passed on to the Solar Power Developer. The tariff shall be reduced by INR 0.0055/kWh for every INR 1 Lakh/MW of VGF/ Capital Grant/ CFA passed on to the Solar Power Developer.

Justification:

The common infrastructure for the solar park shall be developed by the SPD. MNRE Solar Park Guidelines (Clause 7) state that Central Financial Assistance shall be provided for development of solar park and external transmission infrastructure. As the Solar Power Developer is responsible for development of common infrastructure within the Solar Park, it is proposed that any VGF/ Capital Grant/ CFA received from MNRE or any other central agency shall be passed on to the Solar Power Developer. This will result in reduced tariffs and lower cash outflows to the State Government.

4. After careful consideration of the above proposals as well as the remarks offered by Finance Department thereon, Government have come to the view that the above proposals would result in reduction of tariff that would be discovered through the bidding process besides ensuring smooth completion of projects as per planned time schedule.

5. Government have, therefore, decided to accept the proposals and hereby order that the 'Scheme of providing nine hours daytime free power supply to the agriculture sector on a sustainable basis' introduced in G.O.Ms.No.18 Energy (Power.I) Department dated 15-06-2020 read with G.O.Ms.No.19 Energy (Power.I) Department dated 17-07-2020, **shall stand modified / amended to the extent indicated in para-3 above**, **other things remaining the same**.

6. The CMD, APGECL, Vijayawada shall take necessary action accordingly and also ensure that the bidding process is carried out in a transparent manner.

7. This order issues with the concurrence of Finance Department vide their U.O.No.FIN01-FMU0PDUP(IIE)/1/2020-FMU-IIEIC, (C.No.1096517) dated:28-10-2020 and 3-11-2020.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

G.SAI PRASAD
E.O. PRINCIPAL SECRETARY TO GOVERNMENT

To
The Chairman & Managing Director.
Andhra Pradesh Green Energy Corporation Limited,
Vijayawada.

Copy to:
The CMD, APTRANSCO, Vijayawada.
The Managing Director, APGENCO, Vijayawada.
The CMDs, APSPDCL/APCPDCL/APEPDCL,
Tirupati/Vijayawada/Visakhapatnam.
The VC & MD, NREDCAP, Tadepalli, Guntur District.
The Additional Secretary to CM, Secretariat.
The Principal Secretary to CM
SF/SC.

//FORWARDED BY ORDER//

SECTION OFFICER